

Global Strategies for National Culture: Korean Media Policy in International Perspective*

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Abstract

Globalization has become a buzz word describing the trend in many, if not most industries. Some authors have viewed this trend as a constraint on national policy and it has been especially viewed as a problem for those *dirigiste* governments which seek to protect their national cultures from American dominance. This article examines the globalization of the media industry and analyzes Korean policy toward this industry. The Korean case is compared to the policies of other countries, particularly that of France which exhibits many similarities. The argument here is that the theory on “cultural imperialism” as well as the critiques of globalization theory as it applies to mass media are inappropriate. Private sector strategies which seek transnational alliances with American firms are best suited to produce competitive products which, in turn, are likely to best preserve national culture.

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I . Introduction

Globalization has become an omnipresent buzz word in both academic journals and the popular press.¹⁾ Public discourse now takes it for granted that nearly all economic activity is either practiced on or headed for a global scale. Naturally, it is a matter of both opinion and interest as to whether the globalization phenomenon is good or bad. Certainly, jobs, income, and standards of living hang in the balance. Less obvious, but equally salient is the issue of culture. As goods are assembled in different countries and marketed in yet others, as consumerism reaches global proportions, and as capitalism--in the diminished presence of its longtime Communist rival-- goes almost unchallenged as an organizing principal, American capitalism looms especially large. In one particular case, it is not just American capitalism, but also the influence of American culture that has raised concerns. This is the case of the American television and film industries.

Two countries which have diverged considerably from American styles of capitalist management are France and South Korea.²⁾ Both have relied on significant levels of state intervention (often denoted by the French word, *dirigisme*) to manage their economies and both have pursued state-led strategies to encourage film and television production. In a sense, *dirigisme* in the arts is as conventional for these countries as their support of national champion firms and *chaebols*. However, what is less known is that media strategies in both countries are really bifurcated. While the state in each case subsidizes national media production, the respective private sectors have pursued global strategies to support local media industries. For example, both French and Korean firms pursue global alliances to support their performance in national markets. Our argument is that international alliances improve the competitive capacity of

1) A recent academic volume which reviews the theory behind globalization quite seriously is Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism* (Ithaca: Cornell University Press, 1996). For a critical appraisal of the globalization literature in international relations, see Richard Falk, "State of Siege: Will Globalization Win Out?" *International Affairs*, 73, 1 (1997), pp. 123-136.

2) The literature on the political economies of these two countries is huge. For a brief summary of the *dirigiste* approach, see John Zysman, *Governments, Markets and Growth* (Ithaca: Cornell University Press, 1983), chap. 1; for a discussion of *dirigisme* in Korea, see, among others, Jung-En Woo, *Race to the Swift: State and Finance in Korean Industrialization* (New York: Columbia University Press, 1991), for a similar discussion on *dirigisme* in France, see Harvey B. Feigenbaum, *The Politics of Public Enterprise: Oil and the French State* (Princeton: Princeton University Press, 1985), chap. 1.

domestic firms and allow them to offer more attractive products to both national and international markets. To paraphrase a slogan from American bumper stickers, these firms think globally to act locally.³⁾

II . Globalization of the Film and Television Industries

Film and television markets are, of course, dominated by "Hollywood". The latter is a term which is the normal short-hand for the American entertainment industry, but it requires very little stretch of imagination to understand that Hollywood production extends well beyond the borders of the United States, let alone those of the county of Los Angeles, or the state of California.⁴⁾ Today, films, television shows, and commercials are shot around the globe.⁵⁾ Post-production may take place in Vancouver, London, Prague, Queensland, or many other locales. Personnel working in the industry, be they Australian directors, French actresses, or Hungarian cinematographers, are hardly limited by nationality. Any combination may work in Hollywood one week and Switzerland the next. This has been true for a long time, starting with the emigration of talent from Europe before the Second World War.

Additionally, the famous studios which still finance most "Hollywood" productions are no longer clearly American.⁶⁾ The Sony Corporation of Japan bought Columbia Studios along with TriStar and Orion; Seagrams of Canada bought Universal from Matsushita; while, through a default of the Paretti empire, the French state bank, Cr dit Lyonnais, inherited MGM-United Artists, until it

3) The thought behind the bumper sticker is that international problems are solved by starting first with local problems. The argument of this paper reverses that dictum.

4) In fact, retaining production in California has become a significant concern of local and state officials. See, for example, The Public Affairs Coalition of the Alliance of Motion Picture and Television Producers, "The Economic Impact of Motion Picture, Television and Commercial Production in California," Santa Monica: The Monitor Company, 1994.

5) Three recent examples of commercially successful television shows produced outside of Hollywood are *Highlander* (Europe), *Hercules* and *Xena* (both shot in New Zealand).

6) The break up of the "studio system" required by the US Supreme Court after its *Paramount* decision in 1948, led to the rise of a plethora of production companies, but enormous financial needs of film and television production meant that the studios retained dominance through their control of finance, in a system not unlike the *keiretsu* of Japan. See Harvey B. Feigenbaum, "Why Hollywood is Like Japan, Only Better," *Business and the Contemporary World*, 8, 1 (1996).

could sell it back to the grasp of Kirk Kirkorian (who had owned it earlier and sold off many of its assets). While a significant amount of production remains in California, the entertainment industry can easily claim to be among the most advanced along the path to globalization.

The tendency to think of Hollywood as being "American", however, is not necessarily incorrect. Not only are the studios incorporated under American law, but the bulk of their employees qualify for American passports. Additionally, over three hundred thousand of the industry's workers reside in California.⁷⁾ The reasons behind the competitive scale of Hollywood, however, are almost certainly due to its incubation in the American domestic market. Access to over two hundred million prosperous consumers in a single country, speaking a common language, allowed for amortization of large expenses of over a huge internal market. Exports could then be sold abroad for derisively small amounts, relatively speaking, which dwarfed the unit costs of shows and movies produced outside of the United States.

It has been argued that the economic structure of Hollywood is especially well suited for exporting to the world market, and that this is primarily because it is an industrial cluster based on "flexible specialization".⁸⁾ This insight comes from recent theory in political economy. Michael Piore and Charles Sable, borrowing from Regulation theory, have put a great deal of stress on the evolution of production systems away from mass production and towards specialized batch production.⁹⁾

7) 348,000 Californians work in film, television, and commercial production, and the number climbs to over 534,00 if one includes peripheral activities such as video games, theaters, production equipment, and broadcasting: See, The Public Affairs Coalition, "The Economic Impact...".

8) Michael Storper, "The Transition to Flexible Specialization in the US Film Industry: External Economies, the Division and the Crossing of Industrial Divides," in *Post-Fordism: A Reader*, ed. Ash Amin (London: Blackwell, 1994), originally published in *Cambridge Journal of Economics* (1989), 13, 2. Cf. Michael J. Piore and Charles F. Sable, *The Second Industrial Divide* (New York: Basic Books, 1984); Harvey B. Feigenbaum and Stephen C. Smith, "The Political Economy of the Maryland Biotechnology Cluster," *Business and the Contemporary World*, 5, 4 (Autumn 1993), Harvey B. Feigenbaum, "Why Hollywood is Like Japan-- Only Better," *Business and the Contemporary World*, 8, 1 (1996), pp 36-42.

9) Michael Piore and Charles Sable, *The Second Industrial Divide* (New York: Basic Books, 1984); Robert Boyer, *The Regulation School: A Critical Introduction* (New York: Columbia University Press, 1990), trans. Craig Charney; Alfredo C. Robles, Jr., "Global Governance and Political Economy," *Global Governance*, 1 (1995), pp. 99-117.

Industrial clusters are geographical areas where there are many firms in the same basic business. They form various relationships, such as joint-ventures, sub-contracts, partnerships, and the like, in order to make small batches of products which change from batch to batch, according to very volatile demand. At the heart of the cluster is a mobile workforce of highly skilled technicians who move from one company in the cluster to another, depending on the project.

Since the collapse of the Studio System, a consequence of the US Supreme Court's 1948 *Paramount* decision ordering the separation of the studios from their chains of theaters, Hollywood left the era of mass production and entered the era of flexible specialization.¹⁰⁾ Rather than studios keeping large staffs under contract, teams are put together on a project by project basis, frequently under the impetus of an agent or independent producer. This form of organization keeps fixed costs down, allows each project to be "tailor-made", and does not lock anyone into a long term commitment to a particular product or genre. This kind of production system is only viable where there are large concentrations of skilled labor (actors, writers, directors, technicians) and where there is a presence of general use equipment (e.g., sound stages, post-production facilities, sophisticated cameras and lights, etc.).

It has frequently been argued, as well, that the number of people speaking English as a first or second language throughout the world gave an edge to films and movies produced in the language of William Shakespeare, Edgar Allan Poe and Mohandas Gandhi. We take issue with this argument, since most of the world watches Hollywood productions dubbed into their own languages.

Much of the dominance of the American industry can be attributed to historical circumstance. Before the First World War, France exported more films to the US than vice-versa. However, by the end of the Second World War, no country could compete with the American industry on world markets. This was partially due to the factors listed above, as well as the fact that the cumulative effect of the world wars was a backlog of film created on the untouched American soil, ready for export to countries whose own production had been suspended during the

10) Storper, op. cit., pp. 200-207. Curiously, the decision of the Federal Communication Commission to rescind "fin-syn" regulations, which required television networks to purchase programs from outside the company has brought back the vertically integrated entertainment firm. The recent acquisition by Disney of Capital Cities/ABC can only be understood in this light. See Bronwen Maddox, "The Price of Hit and Miss," *Financial Times*, 2 August 1995, p. 11.

fighting.¹¹⁾

The second historical factor that gave Hollywood the edge was the early development of private television networks. Unlike most countries which viewed television, like radio before it, as appropriate for nationally-owned broadcasting companies, the US viewed television as a commercial product right from the start. The creation of many independent stations created a secondary market for film and television products. Therefore, production costs were not borne solely by the network which originally bought the film or TV show, but by many smaller broadcasters who bought products as re-runs (old movies and old television shows). Thus producers could afford more lavish productions by spreading the costs over primary and secondary markets. By the time these products reached international markets, most or all of their costs had already been amortized, allowing international customers to purchase television shows with high production costs for very modest fees.

III. Cultural Imperialism?

Does globalization of the media industry have negative consequences? The availability of high quality American films and cheaply priced television shows led to fears of "cultural imperialism". The term "cultural imperialism" has frequently been employed in scholarly works (and political rhetoric) with a diversity of meanings. To some it has meant the "use of political and economic power to exalt and spread the values and habits of a foreign culture at the expense of a native culture."¹²⁾ To others, it has meant the instrumental spread of cultural values in support of a political and economic system,¹³⁾ mostly in support of capitalism-- and for many, in support of American hegemony.

For radical critics such as Herbert Schiller, the spread of American mass media products can be understood only as part and parcel of a world capitalist system.¹⁴⁾

11) John Izod, *Hollywood at the Box Office, 1895-1986* (New York: Columbia University Press, 1988).

12) A. Bullock and O. Stallybrass, eds., *The Fontana Dictionary of Modern Thought* (London: Fontana, 1977), p. 303, quoted in John Tomlinson, *Cultural Imperialism* (Baltimore: Johns Hopkins University Press, 1991), p. 3.

13) Tomlinson, p. 3.

14) Herbert Schiller, "Transnational Media and National Development", in Schiller and K. Nordenstring, *National Sovereignty and International Communication* (New Jersey: Ablex,

Here, the role of mass media emanating from the core of developed countries serves as an ideological support of the world capitalist regime, directly analogous to the role of ideological structures at the national level posited by diverse Marxists such as Louis Althusser or those of the Frankfurt School.¹⁵⁾

Along the same lines, two Chileans writing during the Allende regime, Ariel Dorfman and Armand Mattelart, argued that apparently harmless entertainments actually couched imperialist values. The title of their famous book is self explanatory: *How to Read Donald Duck: Imperialist Ideology in the Disney Comic*.¹⁶⁾ It is, however, a long step from detecting values in a particular work to demonstrating that such works actually result in some form of domination. It is not obvious that those perceiving the symbols provided attach the same meaning to them as the purveyors may wish. As Scott notes, "subordinate groups develop their own interpretations, understandings, and readings of ambiguous terms."¹⁷⁾

1979); cf. Immanuel Wallerstein, "The Rise and Future Demise of the World Capitalist System," *Comparative Studies in Society and History*, 16, 4 (September 1974).

15) Louis Althusser, *For Marx* (London: Penguin 1969); T. Adorno and M. Horkheimer, *The Dialectic of Enlightenment* (New York: Seabury Press, 1972).

16) New York: International General Editions, 1975; cited in Tomlinson, p. 41.

17) James C. Scott, *Weapons of the Weak* (New Haven: Yale University Press, 1985), p. 338, quoted in Nathan J. Brown, *Peasants in Modern Egypt* (New Haven: Yale University Press, 1990), p. 16. Moreover, it is reasonable to assume that as the distance between the consumers and producers of movies and television shows increases, the cultural references become less familiar, more ambiguous, and consequently more open to local interpretation. Citing a study by Katz and Liebes, "Mutual Aid in the Decoding of *Dallas*: Preliminary Notes from a Cross-Cultural Study," Tomlinson notes:

One of the Arabic groups actually "misread" the information of the programme in a way which arguably made it more compatible with their cultural horizon. In the episode viewed, Sue Ellen had taken her baby and run away from her husband JR, moving into the house of her former lover and his father. However, the Arab group confirmed each other in the more conventional reading -- in their terms -- that she had actually gone to live in her own father's house. The implications of this radical translation of the events of the narrative must at least be to undermine the notion that texts cross cultural boundaries intact. (cited in Tomlinson, p. 48)

It is, of course, the increasing familiarity with exogenous cultural references that some of critics equate with cultural imperialism. It would seem that familiarity alone is a deceptive standard.

Tomlinson rightly argues that the advocates of the "cultural imperialist" view tend to assert, rather than prove, that the consumers of cultural products are thereby subjected to domination.¹⁸⁾ However, neither the concern, nor the lack of proof, that Hollywood has nefarious effects on national cultures is limited to those defending the alleged periphery.

Concerns that local culture may be diluted or changed by exposure to cultural influence emanating from the international market (read, "America") have motivated many countries to protect and subsidize their national film and television markets. Even such free-trade enthusiasts as the Germans offer significant, though not necessarily effective, subsidies to their national audio-visual industries.¹⁹⁾ The British historically taxed movie tickets²⁰⁾ to pay for local production, but later abandoned the technique. The Film Board of Canada finances many high quality features by Canadian filmmakers. By far, however, the most elaborate system of subsidies for film and television production have been devised by the French ministry of culture.²¹⁾ In 1994 subsidies to film and

18) Tomlinson, p. 38. This weakness is possibly due to the fact that most authors making the charge of "cultural imperialism" are trained in literature or philosophy, rather than social science. Those with social science training either focus on content analyses of texts such as news broadcasts, thus avoiding a study of the impact of such texts, or they study the impact of television in such a way as not to call into question the economic organization of the society: viz., the impact of violence in programming or news reporting of terrorism. To the extent that the analysis is political rather than psychological, the focus is on the way in which broadcasts affect the priority of those issues treated by the electoral elites, with little concern for the issues which do not make it to the state agenda at all. See for example, regarding violence and terrorism, William H. Meyer, *Transnational Media and Third World Development: The Structure and Impact of Imperialism* (New York: Greenwood Press, 1988), chapter 5 (Meyer does try to examine Schiller's propositions empirically, but we found his attempts to operationalize the concepts too problematic to discount Tomlinson's critique); For a typical analysis on agenda-setting, see Lee B. Becker, Maxwell E. McCombs and Jack M. McLeod, "The Development of Political Cognitions," in *Political Communication: Issues and Strategies for Research*, ed. Steven H. Chaffee (Beverly Hills: Sage, 1975). The weakness of the agenda-setting literature was criticized early on by Peter Bachrach and Morton Baratz, "The Two Faces of Power," *American Political Science Review*, 57 (1963), pp. 947-52.

19) Ron Holloway, "Few Returns on German Grants," *Hollywood Reporter*, 5 July 1995, p. 1-4.

20) i.e., the "Eady Levy."

21) Jean-Pierre Fougere, Anne E. Kalck, Pascal Rogard, *Les Aides au Financement (Cinéma et Télévision)*, (Paris: Dixit, 1993).

television production from the *compte de soutien* amounted to almost 1.7 billion francs, or about \$354 million at 1995 exchange rates.²²⁾

Responses to American media domination have not been limited to the policies of national governments. The European Union has also actively subsidized these industries. A number of programs under the broad umbrella "Media" managed by the Commission's Directorate General X with a budget of 200 million Ecu, are intended to facilitate co-productions and to subsidize training and script writing.²³⁾ These are complemented by the Council of Europe's similar, but much smaller "Eurimage" program (32 million Ecu) aimed at promoting tripartite coproductions which include the smaller countries of Europe.²⁴⁾

IV. French Media Protectionism: A Closer View

Since most analysts concerned with media protectionism tend to point critically at France, it is perhaps worth a closer look. The French approach to television and film production has been two-pronged, emphasizing regulation of the domestic market and subsidies to television and film production. A very important regulatory agency is the Conseil Supérieure de l'Audiovisuel(CSA), which is France's equivalent of the US Federal Communication Commission, the FCC.

Like the FCC, the CSA manages spectrum allocation and can impose sanctions on networks for various infractions of its rules.²⁵⁾ The CSA also regulates the content of broadcasts, in that violent or sexually explicit shows must air after 10:30 PM. Perhaps most important, however, is the CSA's function as manager of the French quota system. It is here that the major contrast between American and French audio visual policies appear. The role of the US Federal Government in mass media is essentially a regulatory one, while the French combine regulation with promotion. The quotas are a key tool in the promotion of the

22) Conseil Supérieure de l'Audiovisuel, et al., *Les Chiffres Clés de la Télévision et du Cinéma: France 1994*; (Paris: Documentation Française, 1995) p. 67

23) European Commission, DG X, *Media: Guide for the Audiovisual Industry* (Brussels: European Commission, June 1994); Fogea et al.; The European Union, however, justifies the policy in terms of skills and employment, rather than cultural threat.

24) Fogea, et al., p. 27; interview with a French feature film producer, Paris, September, 1994.

25) The predecessor of the CSA could only take the stations to administrative court, i.e., the renowned Conseil d'Etat.

French media products industry, that is, movies and television shows.

The purpose behind the broadcast quotas is to preserve for French products 50% of fictional shows (news, sports and games do not count toward the quota). As the former president of the CSA put it, "To impose a law that says a country's television dedicates 50% of its airtime to its own culture is not unreasonable. A country which abandons its culture and which accepts that its children are influenced by a foreign culture renounces its own identity and renounces its reason to exist."²⁶⁾ Indeed, within the European Union, French representatives have advocated an EU quota of 60% of airtime reserved for products of European origin throughout the EU, although the Commission has acceded to these only as guidelines "wherever possible".²⁷⁾

Most local producers interviewed for this study, in France, Britain and Australia, independently underlined that when given the choice, most of their respective audiences prefer television shows produced at home to American imports. As a French CSA commissioner put it, "French people prefer to watch French actors driving French cars on French streets in French towns." However, the costs to broadcasters of American reruns which have already been amortized in the US market are so tempting that, as one French producer remarked: "we live by quotas."

The French have also implemented perhaps the most elaborate system of subsidies to production of any of the European countries. While it is the function of the CSA to manage broadcast quotas, the administration of production subsidies is left to the Centre National de la Cinématographie. The decision to subsidize particular films is governed by an elaborate qualifying system to assure that most of the content is produced in France by French artists. Moreover, the actual decisions are left to committees of industry professionals who have shown a decided tendency to award grants to their friends, a system the French cynically call "copinage" (a pejorative term meaning "friendship networks").

Financial aid to film production was put in place in 1948, while assistance to television production dates to 1984.²⁸⁾ Those in the industry usually point out that, technically, these subsidies are not supported by state funds, but rather are financed mostly by taxes on movie tickets (called the "T.S.A.", or *Taxe sur l'Audiovisuel*) which go directly to the *compte de soutien*

26) Jacques Boutet, "Q&A with Jacques Boutet," *Variety*, 19-25 April 1989, p. 104.

27) *Television sans Frontières* directive of 1989.

28) Cours des Comptes, *Le Soutien financier de l'état à l'industrie cinématographique et à l'industrie des programmes audiovisuels* (Paris: mimeo), June 1993, p. 103.

(support account). However, even if one allows that money from increased ticket prices is not a "state fund", this claim is only partially true. While the "support account" is primarily supplied by the tax on the purchase of movie tickets, the state also contributes directly to the fund.

Finally, and perhaps most importantly, French films are supported by pre-production finance from French television networks. French networks must spend at least 1% of their turnover on film finance, usually including an agreement to air the film on TV. Canal Plus, though a privately-owned pay-television channel, must by law devote 9% of its turnover, about 2 billion francs per year, to financing French film production.²⁹⁾ Indeed, the combined aid and distribution from French television is in reality so huge that virtually all French films find their way to the airwaves, whatever the verdict of theatergoers.³⁰⁾

V. Korean Policy Toward Entertainment Media

The Korean approach to the entertainment industry is also oriented toward both regulation and subsidies. However, Korea, unlike France, rhetorically endorses the concept of free markets while maintaining a highly *dirigiste* policy. When we asked Mr. Ok-Hwan Wi, Director of the Motion Picture Division of the Ministry of Culture and Sports, if the government is interested in creating a viable film and TV industry in Korea, he replied that "the government is apparently interested in this, but does not artificially encourage it. The government leaves this to the free market system."³¹⁾ Similarly, when asked if Korean companies are encouraged to diversify into media industries, Mr. Wi replied:

The Korean government does not artificially encourage companies to do so. There have been no tax incentives, favors, and inducements on the part of the government. I think this is due to the fact that the media industry's relative importance among overall industries is small.³²⁾

29) Michel Pascal, "Entretien avec René Bonnell: 'Le Cinéma français va mourir vertueux'," *Le Point*, no. 1181, 8 May 1995. In Britain, a similar, though smaller, role is played by Channel 4 in financing national film production.

30) Yves Mamou, "Place à la fiction Française", *Le Monde* (Paris), 23-24 April 1995.

31) Interview with Ok-Hwan Wi, Seoul, Korea, 26 February 1997. Conducted and translated by Sanghyun Yoon. All translations from Korean are by Yoon, unless otherwise indicated.

32) *Ibid.*, emphasis in original.

The truth of the matter, however, is that the government does provide inducements for local production of film and television shows. Until 1985, foreign films could only be imported by producers of Korean films, and then they could only import one foreign film for every four Korean films produced.³³⁾ In December 1995 the government passed the Motion Picture Promotion Law. This law is explicitly *dirigiste* and empowers the Ministry of Culture and Sports:

to make and implement motion picture promotion policies... [including] 1) investigation, research, and development to bring about production, utilization, distribution, supply, export, and import of motion pictures, 2) raising of experts on movie production...3) gaining of financial resources for movie promotion and effective operation, 4) vitalization of international exchanges of films, and 5) other promotion of film art.³⁴⁾

The South Korean government also finances the Comprehensive Film Studio, which includes production and post-production facilities. It is primarily for the benefit of Korean film producers, since television producers have their own facilities and seldom use it.³⁵⁾ Perhaps more importantly, the government reclassified the movie business from a service industry to a manufacturing industry, which allowed producers for the first time to finance their films by borrowing from banks.³⁶⁾ This move encouraged *chaebols* to enter the industry, with Samsung and Daewoo taking an early interest.

Like the French, the Koreans also maintain an elaborate systems of quotas to protect domestic producers and the Korean culture. Television broadcasters in Korea must limit foreign films to no more than 15% of all programs. On cable TV, 70% of shows must be Korean (50% for science, technology, culture, and sports channels).³⁷⁾ Film distribution is also protected. Korean cinemas must exhibit Korean films no less than 120 days a year (i.e., exhibition of Korean films is guaranteed at least two-fifths of the year in Korean theaters).³⁸⁾

33) Damon Darlin, "Hollywood on the Han," *Forbes*, 10 October 1994, pp. 81-82.

34) Motion Picture Promotion Law of December 1995, Article 3.

35) Follow-up interview by telephone with Mr. Ok-Hwan Wi, April 1997.

36) Darlin, p. 82.

37) Follow-up interview with Ok-Hwan Wi.

38) *Ibid.*

VI. Corporate Responses to *Dirigiste Regimes*

One statistic indicates the problem: 80% of the earnings on the Korean film market are derived from American films.³⁹⁾ This means that despite the fact that 40% of cinema projection time is reserved for Korean films, less than 20% of overall income is derived from them. Clearly, the patrons of Korean cinemas prefer American films. This is also true in France and the rest of Europe, although the statistics may be a bit less lopsided.⁴⁰⁾ The world's spectators prefer movies from Hollywood.

Initial responses in Korea to the sudden influx of American films after the 1985 trade agreement with the US⁴¹⁾ included Korean producers hiring thugs to toss snakes and smoke bombs into theaters showing American films.⁴²⁾ This was, at best, a short-term solution. However, business people are not fools, and those in the Korean and French entertainment industries have now developed strategies to meet this challenge. While the governments of both countries have acted to preserve a certain cultural distance from American influence, the policies have clearly not been effective and the response of the private sector in both Korea and France has been to find guidance in the old American adage, "If you can't beat 'em, join 'em."

In 1995, Miky(Mie Kyung) Lee and her brother Jae Hyun agreed to invest over \$300 million in DreamWorks SKG, the new studio founded by Steven Spielberg, Jeffrey Katzenberg and David Geffen. Their company, Cheil Jedang, became the second largest outside investor -- after Microsoft's Paul Allen -- in Hollywood's most glamorous start-up. In exchange for this bold move, Cheil Jedang received distribution rights for DreamWorks products in Asia (with the exception of Japan, Australia and New Zealand) and seats on the board of directors and executive committee.⁴³⁾ Cheil Jedang also concluded agreements with Raymond Chow, a

39) *Ibid.*

40) MPA Worldwide Market Research, "Theatrical Admissions, Releases, Productions and Economic Benefits of MPA Member Company Operations in Selected EU Countries and Combined EU Countries", unpublished report for the Motion Picture Association of America, November 1994. We are grateful to Ms. Bonnie Richardson, vice president for trade and federal affairs of the Motion Picture Association of America for this report.

41) When protectionist measures were somewhat liberalized.

42) Darlin, op. cit., p. 81.

43) Evelyn Iritani, "New Name in Lights in S. Korea," *Los Angeles Times*, 19 August 1996, pp. A-1, A-6.

Hong Kong film tycoon, and several other Asian entertainment companies to distribute western and Asian films in Asia and to build multiplex cinemas on the continent.⁴⁴⁾

With the informal encouragement of the Korean government, the Lees' goal is to construct a vertically integrated multi-media group.⁴⁵⁾ After all, President Kim Young Sam has said that the value-added of Jurassic Park equals the production of 1.5 million autos.⁴⁶⁾ According to Ms. Lee, the association with DreamWorks is intended to provide know-how: "What we want from DreamWorks is industry know-how, marketing and management skills, how we can identify things that are attractive to the audience, etc. We leave their product to Steven Spielberg."⁴⁷⁾ To this end, Cheil Jedang is sending interns to its Hollywood partner to acquire knowledge in marketing, intellectual property, contracting with talent (writers and directors), and film finance. Eventually, Cheil Jedang hopes to sell multi-media products on world markets, and especially in China.⁴⁸⁾

Like the Koreans, the French media companies have also seen that their success at home is best assured by working with Hollywood, not against it. Canal Plus, the major pay-TV channel in Europe, is convinced that its popularity and expansion depends upon a continuous flow of Hollywood movies.⁴⁹⁾ To assure that flow, they too have taken ownership stakes in American companies. However, this strategy has its risks, as the company's investment in the ill-fated Carolco illustrates.⁵⁰⁾ Nevertheless, French companies are undeterred. The conglomerate, Chargeurs, S.A., has been a player in Hollywood for some time, and Gaumont recently entered the summer blockbuster market by financing French director Luc Besson's science fiction extravaganza, *The Fifth Element*, which was filmed in England and received distribution assistance from Columbia Pictures. Despite having an American star (Bruce Willis) and being originally filmed in the English language, the movie was warmly welcomed in France and opened the Fiftieth Anniversary of the Cannes Film Festival.

44) "Starstruck," *The Economist*, 25 November 1995, p. 60.

45) Interview with Miky Lee, Seoul, Korea, 16 January 1997.

46) *Ibid.*

47) *Ibid.*

48) *Ibid.*

49) Various interviews by Feigenbaum in France, April- May 1995.

50) For a discussion of the failure of Carolco, an independent film producer, see James Sterngold, "Debacle on the High Seas," *New York Times*, 31 March 1996, section 2, pp. 1, 22, and 23.

VII. Technology Affects Policy

Recent changes in both the economic structure and the technology of the entertainment industry have dramatically impacted the effectiveness of government policies regarding the media. The rising costs of special effects and premium salaries to stars have forced film makers to spread their costs over international, as well as domestic markets. Television production has also been driven to internationalize. For example, Movies of the week (films made especially for television) are routinely produced outside of the US (usually in Canada) to take advantage of exchange rates, tax incentives, and lower union wages. Also, foreign sales typically account for 30% of the revenues of television dramas and 12% of comedies. This increased revenue has been made possible by the growth of privately owned television networks in Europe and Latin America, many of which have been made possible through new satellite distribution methods. Thus American producers and non-American broadcasters of entertainment programs increasingly rely upon free trade of entertainment products (known as cultural services in the language of GATT)

Government enforcement of trade restrictions, on the other hand, has become increasingly problematic. This is not just because powerful domestic interests (such as television networks) have an increased incentive to lobby governments for free trade, but also because changes in technology have made it much more difficult to enforce the policies of the past. First, direct satellite broadcasting easily escapes various quota systems. Not only would jamming their emissions run counter to democratic traditions, but the increase in the number of channels has complicated the problem for erstwhile regulators. Also, with the introduction of digital satellite television, the world demand for product has increased meteorically. This is because digital compression technology allows hundreds of shows to be broadcasted at the same time and allows for video-on-demand. Movies can be shown with starting times at 10-minute intervals and eventually permit customers to pick and choose what they want to see when they want to see it.⁵¹⁾

51) Since not all parts of a picture move, only the moving parts need be transmitted. This reduces the amount of information necessary per frequency band, and thus increasing the carrying capacity of each band of the broadcast spectrum. Consequently, the number of shows on the bandwidth can be increased many times. A television show or movie, then, can be shown at a hundred different times, or more, allowing the consumer to choose the most convenient time. This is called "near television-on-

Under such conditions, quotas are meaningless. Moreover, the need for stupendous investment and huge amounts of product to distribute over hundreds of channels has forced television to globalize on both the supply and demand sides.

Since entertainment is an enormous value-added industry that stimulates vast numbers of high technology jobs, governments are right to insist that their citizens get a piece of the action. This means creating the conditions necessary for locally owned companies to remain competitive in an intense international market. Protectionist solutions which require compartmentalizing national markets, however, are no longer technologically feasible. Under such conditions, the corporate strategies which pursue alliances so as to make domestically produced entertainment products more attractive to consumers seem the best way to assure the survival of French, Korean and, indeed, any other national media companies, and with them, the national cultures they reflect.

VII. Conclusion

Historically, media companies have focused on market size as the linchpin of cost structure. Thus the American entertainment industry's capacity to amortize costs over its large domestic market, causing the marginal cost of exports to fall to zero, has allowed American products to out-compete all other countries. Whatever the truth to this argument, conditions have changed. Not only are American companies increasingly dependent on foreign markets to recover costs, but the internationalization of media markets have accustomed viewers to watch foreign products dubbed into local languages. This, we argue, creates an opportunity for non-English speakers to sell abroad and thus to amortize the costs of their own production. This strategy, however, requires these producers to improve the quality of their products to world (i.e., American) standards.

The argument of this article has been that globalization of film and television industries need not pose a threat to national culture. While these industries have been dominated by "Hollywood" products, Hollywood itself has become internationalized. The fact that people around the world watch American films and television shows need not mean that their national cultures are threatened. When national media companies (be they Korean, French, or any other) invest in

demand". As band-width capacity increases, "television-on-demand" becomes possible.

American-based firms, both sides of the deal benefit. Hollywood companies receive capital, while the national firms receive know-how, technology, and commercially viable products. Thus Cheil Jedang, or Gaumont can learn how to make products that draw on their own national cultures, but which are popular with consumers both from their own respective cultures and, potentially, from around the world. The result of international cooperation is a more viable national industry.

Our evidence for this has been anecdotal, of course, at least partially because the phenomenon of Korean and French companies seeking American alliances is rather new. Nonetheless, we think that the recent experience of these companies, as well as the changes in technology, call out for a rethinking of the policies of cultural protectionism practiced not only in these two countries, but around the globe.

Moreover, globalization of production has made even American television and movies less clearly American. With talent coming from so many countries, with production facilities around the world competing for business, defining what constitutes a "national" film industry is an increasingly difficult and ultimately anachronistic task. What nationality is a movie filmed at an English studio with an American star and a French director, as was *The Fifth Element*? The Cannes Film Festival, to take a high profile example, originally categorized films by country of origin, but it abandoned this long ago.

Finally, extended leisure time and better salaries in any nation can only stimulate the demand for increased quality in all media products. If companies are to be capable of producing films and television shows in their national languages that reflect their national cultures (whether they be Korean, French, German or Chinese), global strategies for these industries cannot be ignored. Consequently, *globalization* is not always a constraint on national policy. Sometimes it enables that policy to take place. Globalization, in that sense, can be liberating, at least in terms of economic strategy. In media policy at least, to think locally, one must act globally.

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